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## ARM Research | Weekly Call

- Seplat Plc – STRONG BUY (FVE: ₦964.45):** We remain positive on Seplat despite the material deterioration in earnings in 9M'20, which was due to the decline in global crude oil prices and management's provisioning for impairment charges in the year. Our optimism is premised on management's continued capex spend, which is set to improve production both in its crude oil and gas business. We make specific reference to Seplat's ANOH Gas project and the Amukpe-Escravos pipeline both of which are expected to come on stream in 2021. This combined with its resolve to curtail operating cost should support accretion in earnings. Furthermore, given that its revenue and dividends are reported in dollars, we find this comforting as it provides a shield against the volatility of the Naira in the FX space.
- Zenith Bank Plc – OVERWEIGHT (FVE: ₦30.20):** Despite pressures surrounding the banking sector, we however see some level of comfort particularly with Zenith bank given its capacity to withstand the pressures relative to other banks. Precisely, Zenith commands a better ROE of Zenith - 21.5%, and operating efficiency (Zenith - CIR: 52.5%) compared to most other banks. We have a FVE of ₦30.2 on the stock which translates to an OVERWEIGHT rating.
- Fidelity Bank Plc – BUY (FVE: ₦3.18):** Fidelity bank unaudited 9M 2020 result showed a 3.6% YoY and 7.1% YoY expansion in PBT and PAT respectively due to support from lower interest expense. We revised our interest expense lower for FY 2020 by 13% to ₦75.2 billion (previously ₦80.5 billion) to better reflect the lower interest rate environment. As a result, we expect a slower decline in Profit After Tax by 1.4% YoY to ₦28 billion in FY 2020. This adjustment takes our FVE to ₦3.18 (Previously: ₦2.9) which translates to a **BUY** rating on the stock.
- UBA Plc – STRONG BUY (FVE: ₦10.39):** We expect to see additional contribution to UBA's PBT from its rest of Africa business, which could reduce impact of the tight operational play in the Nigeria business. Meanwhile, we expect the lower interest rate environment to drive a moderation in interest expense to ₦177 billion (previously: ₦194.6 billion). Thus, we now forecast an increase in PAT by 9% YoY to ₦96.9 billion over FY 2020. That said, we have a FVE of ₦10.39/share (previously: ₦10.0/share) with an upside of 23.7%, which translates to an overweight rating on the stock based on current pricing.

Please read our [Ratings, Disclosure & Disclaimer](#) to understand how our analysts reach their recommendations.

### Corporate Benefit Tracker

#### This week

- Nigerian Breweries Plc filed a Notice of Appeal against an unfavourable judgement by the Ondo State High Court in a dispute between the company and the Ondo State Government regarding a dispute on haulage fees. Click [here](#) to read more.

#### Next week

- Click [here](#) to view full corporate actions thus far in 2021.

## Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	Upside	YTD Return	P/E FY 19(x)	P/E FY 20E (x)	P/B FY 19E (x)	P/B FY 20E (x)	FY 20E dividend yield
<b>BANKING</b>										
ACCESS	<b>STRONG BUY</b>	12.92	8.55	51.1%	1.2%	3.5	2.6	0.5	0.5	7.0%
FBNH	<b>STRONG BUY</b>	9.40	7.25	29.7%	1.4%	5.8	4.4	0.4	0.5	3.2%
FCMB	<b>SELL</b>	1.90	3.2	-40.6%	-3.9%	2.4	3.5	0.2	0.2	3.6%
FIDELITY	<b>BUY</b>	3.18	2.5	27.2%	-0.8%	3.2	2.0	0.2	0.1	6.0%
GTB	<b>UNDERWEIGHT</b>	35.16	36.00	-2.3%	11.3%	6.6	6.0	1.8	1.9	7.8%
UBA	<b>STRONG BUY</b>	10.39	8.45	23.0%	-2.3%	3.0	2.1	0.5	0.4	11.1%
ZENITH	<b>OVERWEIGHT</b>	30.20	26	16.2%	4.8%	4.2	3.6	0.7	0.7	11.2%
<b>CEMENT</b>										
DANGCEM	<b>NEUTRAL</b>	235.35	230	2.3%	-6.1%	21.0	17.0	5.0	4.0	5.0%
LAFARGE	<b>SELL</b>	23.28	26.65	-12.6%	26.6%	NA	9.0	1.6	0.5	3.3%
<b>BREWERIES</b>										
GUINNESS	<b>NEUTRAL</b>	28.41	19	49.5%	0.0%	35.9	31.1	2.8	2.6	10.5%
NB	<b>SELL</b>	53.20	61	-12.8%	8.9%	33.9	31.0	4.0	3.6	4.2%
<b>AGRIC</b>										
OKOMU	<b>UR</b>	81.17	93	N/A	2.2%	9.7	10.4	2.0	1.7	2.8%
PRESCO	<b>UR</b>	72.98	75	N/A	5.7%	3.0	12.2	0.7	0.7	1.2%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>SELL</b>	18.97	20	-5.2%	13.6%	6.0	8.7	2.6	2.3	4.6%
NESTLE	<b>SELL</b>	1288.63	1450	-11.1%	-3.7%	36.6	24.2	27.5	27.5	4.5%
UACN	<b>NEUTRAL</b>	8.94	8.25	8.3%	13.8%	-4.7	4.7	0.4	0.2	7.8%
<b>PERSONAL CARE</b>										
UNILEVER	<b>SELL</b>	13.19	14.6	-9.7%	5.0%	23.0	8.2	2.3	1.0	8.1%
<b>OIL &amp; GAS</b>										
SEPLAT	<b>STRONG BUY</b>	964.45	495	94.8%	23.0%	3.0	3.2	0.5	0.5	10.0%

“FVE” means Fair Value Estimate while “UR” means Under Review and “NA” means Not applicable

\*Means Last communicated FVE